

**AGENCY FOR INTERNATIONAL DEVELOPMENT
PPC/CDIE/DI REPORT PROCESSING FORM**

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number

497-0357

2. Contract/Grant Number

497-C-00-98-00045-00

3. Publication Date

April 3, 2001

4. Document Title/Translated Title

Local Government Taxation: Standard International Practices

5. Author (s)

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2.
3.

6. Contributing Organization (s)

Nathan/Checchi Joint Venture/PEG Project

7. Pagination

24

8. Report Number

PEG 60a

9. Sponsoring A.I.D. Office

ECG, USAID/Jakarta

10. Abstract (optional - 250 word limit)

11. Subject Keywords (optional)

1. Indonesia
2. Local Government
3. Taxation
4.
5.
6.

12. Supplementary Notes

13. Submitting Official

C. Stuart Callison, Chief of Party

14. Telephone Number

011-62-21-520-1047

15. Today's Date

16 October 2001

.....DO NOT write below this line.....

16. DOCID

17. Document Disposition

DOCRD [] INV [] DUPLICATE []

***Domestic Trade, Decentralization and Globalization
A One Day Conference***

Hotel Borobudur Jakarta, 3 April 2001

SESSION 4:

Local Government Taxation: Standard International Practice

Perpajakan Pemerintah Daerah: Praktek-Praktek Internasional Yang Standar

By: Dr. Arthur J. Mann – Center for Institutional Reform and the Informal
Sector (IRIS)

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Jakarta

The United States Agency for International Development

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Departemen Perindustrian dan Perdagangan
Direktorat Jenderal perdagangan Dalam Negeri

LOCAL GOVERNMENT TAXATION: STANDARD INTERNATIONAL PRACTICES¹

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**Paper presented at the PEG/USAID Conference on
Domestic Trade, Decentralization, and Globalization**

**Jakarta, Indonesia
April 3, 2001**

I. Introduction

Under decentralization, the responsibilities of Indonesia's municipal governments have been greatly expanded by assigning to them a large part of the public expenditure functions formerly undertaken by the central government and its deconcentrated departments. To finance these vastly enlarged expenditure assignments an intergovernmental central-to-municipal (and provincial) revenue-sharing and block grant transfer system was established under Law 25/1999. Despite these transfers of funds, regional governments remain under pressure to generate their own incomes from a variety of tax and non-tax sources. Therefore, the focus of this paper will be on the different forms of tax revenues used around the world at the regional government level.

A broad definition of local (or regional) government will be adopted here to include both municipalities and provinces. While under decentralization Indonesia's provincial governments do not play as important a role as do municipalities, they do retain certain budgetary responsibilities. Therefore, references will also be made to the sources of taxation available to the provincial governments (levies on motor vehicles, fuel, and property) in addition to the municipal taxes permitted under Law No. 18/1997 and its amendments (Law 34/2000). Given its leading role in local government tax structures worldwide, the taxation of property will form a significant part of the discussion. It is realized that the Indonesian property tax (PBB and BPHTB) is not legally a local tax, but since its revenues are almost wholly transferred to regional governments, it can essentially be treated as a local own-source tax.

¹ This paper was presented at a Conference on Domestic Trade, Decentralization and Globalization at the Hotel Borobudur, Jakarta, Indonesia, on April 3, 2001, which was co-sponsored by the Partnership for Economic Growth (PEG), the United States Agency for International Development (USAID), and the Ministry of Industry and Trade (MOIT), Republic of Indonesia (RI). PEG is a USAID-funded project with the RI. The views expressed in this paper are those of the author and not necessarily those of USAID, MOIT, or the U.S. Government.

II. International Patterns of Local Government Taxation

The tax assignment issue crops up in both unitary and federal states. Musgrave (1983) employed equity- and efficiency-based criteria to formulate the following broad principles that should underlie the tax assignment mix between central and local (provincial/state and municipal) governments:

- Taxes dealing with income and wealth redistribution, macroeconomic stabilization, and mobile goods and inputs should be the responsibility of the central government, as should tax bases that are very unequally distributed between jurisdictions;
- Taxes on relatively immobile goods and inputs, and levies and fees based on the benefit principle, are appropriately used at the local level.

In terms of actual taxes, these principles translate into a central: local government tax assignment that adopts the following composition:

- Although broad-based consumption taxes (e.g., a VAT or sales tax) might conceivably be levied at either level, efficiency and equity considerations generally lead to central government assignment. The tax base is centrally-determined, but rates (for a sales tax but probably not a VAT) can be determined at both levels; tax-sharing is feasible;
- Income taxes (personal and corporate) become central government responsibilities under the redistribution and stabilization criteria. Both the tax base and rates are centrally-determined, although differential local rates may be “piggybacked” on the central base; tax-sharing represents fairly common practice;
- Selective excises on goods should be a central government levy to avoid tax exporting, but excises on services (which are less “exportable” to taxpayers in other localities) can be local;
- Residential land and property taxes are very appropriate local levies since they are imposed on immobile factors; business and industrial properties can be more mobile beyond the short-run (permitting burden exporting), but are nevertheless also suitable for local taxation; the tax base and rate can be under local jurisdiction;
- User charges, license fees, and benefit taxes are very suitable as local government levies; base and rates are under local control.

The overall composition of tax structures show large variations between and within regions in both the developed and developing countries; see IMF, Government Finance Statistics Yearbook (2000). In the developed world (24 OECD countries) taxes on corporate and individual income, profits, and capital gains comprise (using an unweighted average) close to two-fifths of total tax revenues. However, around this average there is a wide range of proportions. Adding in social security taxation raises the overall average to over 60%. Domestic taxes on goods and services (VAT, turnover, sales, excises) amount to another 30%, while international trade taxes (mainly import duties) generate less than 3% of the total. Vis-a-vis the aggregate tax burden, property taxation is responsible for approximately 3% of the total. Nevertheless, at the local government levels (i.e., municipal, county) property taxes often account for more than half of local government own-source revenues.

In non-OECD Asian countries and in Latin America income taxes comprise, on average, some one-quarter to three-tenths of aggregate tax revenue. Whereas social security taxation amounts to

very little in these Asian nations, its percentage contribution in Latin America reaches almost 20%. Domestic taxes on goods and services generate approximately one-third of total taxes in both Asia and Latin America, and international trade levies comprise another one-quarter. As in the developed world, property taxation generates some 3% of total tax revenues.

In the developed world it is difficult to find any truly distinct patterns of local (to reiterate, provincial/state and municipal) taxation. In Belgium, Germany, Japan, Scandinavian countries, and Switzerland, personal and company income taxes generate well over half of local tax revenues. These taxes are generally levied as surtaxes on the national income tax base. In Austria, Canada, Germany, Switzerland, and the United States income taxation is a significant source of state/provincial tax receipts. Only in a handful of countries (Austria, Canada, Germany, and the United States) does broad-based consumption taxation generate significant amounts of tax income. In contrast, the revenue-raising role of property taxation is important for local governments (especially municipal) in most developed countries.

Discernible local tax patterns are even more difficult to find in the developing world. From a sample of the composition of tax revenues in 42 cities, Bahl and Linn (1992, Table 2-11) reached the following conclusions:

- Local (i.e., urban) governments employ a wide variety of taxes and user charges;
- Property taxation is almost universally used and is the single most important local government levy, with its median share reaching 40% of total local tax revenues;
- Other commonly used taxes are those on commerce and industry (usually business licenses or a form of sales tax), motor vehicles (licenses and transfers), entertainment (hotels, restaurants, theaters, public events), and property transfer.

III. A Brief Overview of Local Government Revenues and Taxation in Indonesia

Prior to 2001, the Indonesian fiscal system was highly centralized, with the central government pre-empting all the principal revenue/tax bases: income via the corporate and personal income taxes, expenditure via the VAT, selective excises, and customs duties, and natural resources rents via non-tax mechanisms. Revenues flowing to the central government constituted close to 90% of the aggregate, and the center and its deconcentrated departments located at the sub-national levels (provinces, municipalities, and villages) were responsible for approximately four-fifths of public expenditures. Fiscal decentralization under Laws 22/1999 and 25/1999 turned over to the regional governments (provincial and municipal) the responsibility for a host of expenditure functions encompassing such areas as health, education, public works, agriculture, and communications, but the principal revenue/tax bases remain under central government control. To remedy this expenditure assignment-revenue base mismatch, an intergovernmental fiscal transfer system has been established that relies mainly on central to regional tax-sharing and block grants. From the revenue side of the equation, this post- 2000 intergovernmental revenue system not does greatly differ greatly from the prior system in the sense that the regional governments remain highly reliant on fiscal transfers from the center.

Under Law 18/1997 and its amendments (Law 34/2000), provincial taxes are restricted to levies on motor and water transportation vehicles, ownership transfers of these same vehicles, and motor vehicle fuel. These revenues are shared with municipalities within each province in the

following provincial-municipal proportions: 70:30 for the first two taxes and 30:70 for fuel. Regency/municipality taxes are composed of levies on hotels and restaurants, entertainment, advertisements, street lighting, excavation of certain types of mining materials, and utilization of water. At least 10% of municipal taxes should be shared with villages. Other types of municipal taxes may be promulgated if they fulfill certain criteria which were very restrictive under Law 18/1997, but have been (perhaps unfortunately) relaxed under law 34/2000.

Tables 1 and 2 present the pre-decentralization revenue situation from a local government perspective. A first glance at Table 1 might lead to the conclusion that, during the mid-1990s, local governments were receiving a “fair share” of public sector revenues. Until the economic/financial crisis of 1997, these revenues comprised 5% of GDP and 30% of central government domestic revenues. Table 2 tells the same “aggregate” story, but an analysis of the origin of these revenues demonstrates the centralized nature of revenue-generation. Local government own-source revenues constituted less than a quarter of the aggregate revenue flows. Moreover, this percentage was much lower at the municipal than the provincial level. Grants and subsidies from the central government accounted for approximately three-fifths of total revenue flows.

Table 2 bears further explanation. While local taxes did play an important role in regional government own-source revenue generation (especially at the provincial level via motor vehicle levies), local property taxation enters into this table under the tax- and revenue-sharing revenue source. Such classification is really misleading. Whereas the property tax (on land and buildings) was centrally administered, the bulk of its revenues were returned to the locality in which the property was located; this remains the case under decentralization. Thus, property tax revenues can essentially be treated as local government own-source tax revenues. In those many local (especially municipal) government cases where natural resource revenue-sharing was not significant, property tax revenues accounted for the majority of tax/revenue-sharing. In fiscal year 1999/2000, nationwide approximately 30% of provincial and 80% of municipal tax and revenue-sharing proceeds were derived from property taxes. Clearly, adding property taxes to own-source revenues does increase the local own-source proportion of aggregate regional government incomes, but does not appreciably alter dependence on central government grants and subsidies.

IV. Property Taxation

As noted in Section II, one of the constants in local government taxation around the world is the use of taxes on property. There are two broad categories of property taxes: real and personal. The first consists of land and improvements (structures), while the second covers tangible (e.g., machinery, inventories, vehicles) and intangible (e.g., bank accounts, stocks, bonds) assets. Whereas central governments have generally pre-empted the use of the broad-based and more productive taxes on income and expenditure, the taxation of wealth via the property tax represents the best alternative that sub-national governments have to access a relatively productive tax base. In some countries property taxation is centrally administered (e.g., Brazil, India, Indonesia), although the bulk of revenues flows to local government coffers under tax-

sharing agreements. However, in many countries, property taxation is solely administered at local government levels, and revenues constitute a significant source of local own-income.

Indonesia has a long history (dating back to the 17th century) of property taxation, and today's land and buildings tax (PBB) was completely revamped beginning in 1986; in 1998 a tax on land and building acquisition rights (BPHTB) was also promulgated. While the 1986 reforms initially led to significant revenue increases (see Table 3), it is the contention of this paper that the PBB has not been as productive as it might be. Under decentralization a more revenue-productive and efficient PBB can well serve as one of several pillars to simultaneously strengthen fiscal decentralization and the finances of local governments, especially those at the municipal (kabupaten/kota) level. Therefore, a great deal of emphasis will be placed on best international practices in property taxation. It is not at all the intention of this paper to denigrate past efforts carried out in the property tax arena in Indonesia. Quite the contrary. What is already in place under the Ministry of Finance's Directorate of Land and Building Tax (Direktorat PBB) represents an excellent base from which to pursue further reform efforts, especially using its field offices spread throughout the provinces and municipalities. While administrative procedures may require strengthening in certain aspects, what will really require strengthening is the political will to make expanded and better use of the levy as it presently exists. Admittedly, this is far more easily said than done.

A. Property Taxation and International Best Practices

Internationally, more than 130 countries use some form of property taxation, and in many property tax revenues generate over half of municipal current income. The levy is especially significant as a revenue source in secondary cities and towns. It is best conceived and employed only as a revenue generator. It should not be used as an instrument to achieve other socioeconomic objectives such as reducing speculation in real estate or channeling private sector investment decisions (e.g., factory location in an isolated area). There are better tools to reach such goals.

In the paragraphs that follow, the "lessons" regarding international best practices in property taxation are culled from a variety of sources cited in the references at the end of this presentation: Andelson (1997), Bahl and Linn (1992), McCluskey (1999), Rosengard (1998), and Youngman and Malme (1994).

The international popularity of a property tax derives from the following characteristics:

- It is difficult to legally evade, given that real property is both visible and immobile;
- It is a relatively stable revenue source---if the cadastre is continuously updated and its administration is maintained;
- It supports decentralization and local autonomy;
- It may be a relatively progressive tax given the generally positive correlation between property values and income levels; in this sense it represents a good substitute for a local income tax;
- There exists a positive correlation between the taxes paid and the benefits received from local public services;

- It is economically efficient since real property's lack of mobility minimizes interference with resource allocation;
- It may stimulate the use of idle land by increasing its cost.

On the other hand, a property tax does display certain weaknesses:

- The large number of taxpayers and the broad tax base it provides require an efficient and skilled administrative structure whose absence can create inequities and high administrative costs;
- It might be conceived as a threat to private property;
- Poor tax administration, especially at the valuation stage, can generate horizontal and vertical inequities and inequalities;
- There might exist little direct relationship between the tax burden and the ability-to-pay.

International experience demonstrates that a property tax will generate a sustainable long-term source of revenue if its design and implementation pay strict attention to three basic elements: simplicity, elasticity, and maximum coverage. Simplicity translates into a broad tax base, uniform tax rates, and direct and transparent administrative procedures. Elasticity implies revenues that increase at least as fast as property values, local economic activity, and the demand for local public services. Maximum coverage demands a broad tax base with only limited exemptions.

Experience has also demonstrated that successful and sustainable reforms and ongoing implementation of property tax systems must pay strict attention to "process." By this is meant disseminating information to the public, improving taxpayer services, adopting an integrated perspective, and being selective in implementation. Clear and constant dissemination of relevant information regarding modifications and the obligation to pay (and to pay on time to avoid penalties) helps avoid erroneous perceptions and reduces administrative sabotage and taxpayer non-compliance. One important aspect of services to the taxpayer is associated with simplifying forms and procedures linked to paying the tax debt; i.e., minimizing taxpayer compliance costs, something often overlooked when estimating tax administration costs. Modifications must also focus on integrating policy and administration, which really represent two sides of the same coin that cannot be divorced from each other. Selective implementation relates to the phasing in of new procedures and processes as opposed to wholesale and abrupt changes; pilot projects are recommended to work out the kinks in systems prior to overall adoption.

In a nutshell, below are some of the lessons learned from the best international practices in property taxation:

- The tax base must be easily identifiable;
- The tax must be easily identified as a local tax so that the taxpayers are very much aware of why the tax is imposed and what is the (local) use of the funds generated by the levy;
- The tax code and the method used to establish the tax base must be well known by the taxpayers;
- The tax structure must be simple, without a multiplicity of rates, exemptions, special treatments, and exonerations;
- Each taxpayer must receive equitable treatment;
- Tax application and implementation must be administratively direct and feasible;

- The tax must be easily audited;
- The tax must be easy to understand from the taxpayers' viewpoint;
- Tax administration should be subject to local responsibility, and local governments must have authority to modify tax rates---within limits set by the central government; this is completely in line with the goals of fiscal decentralization, as it is clear that greater expenditure responsibilities must go hand-in-hand with enhanced tax assignment and revenues.

The cornerstone of any efficient property tax is a constantly updated cadastre: maps, a unique cadastral identification number, and associated files containing information describing the property's characteristics, structures, and names and addresses of the owners; an additional file should contain a registry of the value of the transactions involving property sales.

Land taxes can be assessed on the basis of land area, income, or rental value. The distinction between the latter two is that the income concept is more inclusive, covering not only income derived from the land itself but from labor, capital, and improvements. In actual practice, tax authorities use one of three methods to assess the land tax: an *in rem* levy based on land area, a levy based on either land market value or net income derived from the land, or a tax based upon "objective" measures such as distance of the parcel from the market or soil quality; these latter two variables represent proxies for presumptive income or land productivity.

The value of the real property tax base (land and structures) is generally denominated in two basic ways: by its expected sale price, termed capital or market value, or by its annual rental value (the rent it would be expected to yield). Conceptually, if a property is put to its "best and highest use," the discounted present value of the net stream of rental payments will approximate the current capital value of the property; i.e., capital and rental value will be approximately equal. A tax on rental versus capital value approximates the distinction between an income-based versus a wealth-based tax. If current use varies from "optimal" use, rental value becomes less than capital value. Capital valuation for tax purposes tends to place a greater burden on "underutilized" properties, and therefore may be perceived as a better alternative. In practice, however, data limitations often mean that, in rental value systems where no reliable rental data are available, valuation is initially done on a capital basis and converted to a rental value using capitalization factors; or in a capital value system rental income is capitalized to yield a capital value. Bahl and Linn (1992) found a trend away from the use of annual value systems and toward capital valuation.

Worldwide, the statutory (nominal) tax rate applied to the property tax base generally falls within a 1% to 3% range due on an annual basis. Typically, valuation is made at less than market value, meaning that effective rates fall below nominal ones. Although some nominal rate structures are progressive, the usual case is that of a uniform, constant rate across all properties. A proportional rate offers the advantage of simplicity, and thereby may help minimize the possibility of "negotiations" between the taxpayer and the tax collection agency. Although the application of a proportional rate might be perceived as inequitable (because ownership of a higher value property generally implies a higher ability-to-pay), the true inequities emanate from the lack of an updated cadastre and inefficient administration. Nevertheless, consideration can be given to

levying a lower nominal rate on rural as opposed to urban properties under the rationale that the former benefit less from property tax-financed public services.

In general, exemptions and other forms of property tax relief are associated with government properties, religious and charitable institutions, and foreign embassies. For equity reasons, other types of selective exemptions are also offered; e.g., a portion of the value of owner-owned and inhabited residences. However, it is important to recognize that each exemption or selective tax relief narrows the tax base and, consequently, reduces tax collections while simultaneously complicating the administrative process. Of course, it would be naïve to assume that any government would adopt a property tax without some form of tax relief. There are numerous mechanisms to use: multiple exemptions and exonerations, differential rates, delayed collections, amnesties. The best mechanism is use of circuit breakers, which inversely link the tax obligation to the taxpayer's income. Circuit breakers do not affect the tax obligation across-the-board, but only impact those taxpayers whose current incomes fall below given levels. Other criteria such as disabilities and age can also be added. In this way, the negative effect on tax revenues is minimized. On the other hand, it does increase the administrative burden.

With respect to the governmental level at which the tax is administered, there are (unsurprisingly) a large variety of ways. For example, in Chile and France (and Indonesia), the tax laws governing the property tax are centrally promulgated and administered, with a limited degree of cooperation from the municipalities. In Denmark, South Korea, and Sweden the local government role is greater, as responsibility for valuation and administration is shared between the central and local governments. In Israel, Japan, and the Netherlands the property tax is a local government responsibility using national guidelines. At the other end of the spectrum, in countries with long-established federal systems of government (Australia, Canada, United States), total property tax responsibility falls on local government.

All property tax systems permit appeals procedures under which the taxpayer may question asset valuation amounts. Commonly the time period for filing an appeal is limited to 30 to 60 days, and there do exist various levels at which to carry the appeal. In most cases, however, launching an appeal does not postpone the tax obligation. Of course, a successful appeal will modify this obligation.

B. Property Taxation and the Indonesian Experience

Property taxation in Indonesia dates back to the 1600s. As part of Indonesia's comprehensive tax reform that began in 1984 [see Gillis (1989) and Mukul (1997)], the property tax also underwent wholesale restructuring, culminating in the January, 1986 enactment of legislation that governs the present day land and building tax (PBB). The first years (through the early 1990s) of this reform process are well documented in Kelly (1993a and 1993b) and Rosengard (1998), and the historical background portions of the next three paragraphs are drawn from these sources. Post-1992 information is derived from my recent (and very limited) interviews at the Ministry of Finance's Directorate of Land and Building Tax in the Directorate General of Taxation.

The 1986 reforms replaced a multiplicity of tax rates, bases, and ordinances by a simplified levy with a uniform flat tax rate of 0.5% applied to the capital market value of taxable land and

buildings. By law the assessment ratio can vary between 20% and 100% as determined by presidential decree. It was set at 20% in 1986, and remained at that level until 1994, signifying an effective tax rate of a mere 0.1%. In 1994 the assessment ratio was raised to 40% on residential housing with a market value of more than Rp one billion; it remained at 20% for all other property. However, as of January 2001, all properties with a market value equal to or greater than Rp one billion are subject to an assessment ratio of 40% in the urban, rural, estate, and forestry sectors; the 20% ratio is retained for mining properties.

Among other measures introduced by the 1986 reforms, simplification and uniformity involved the elimination of differential tax rates, tax bases, and residential property concessions, the reduction in tax base exemptions, and the consolidation of seven previous land-tax ordinances. Machinery and capital equipment were excluded from the tax base to simplify administration. Total exemptions were limited to international agencies, non-profit organizations, protected forests, national parks, and certain grazing lands. A valuation exemption on improvements effectively removed most rural and low-income urban housing from the tax base, thereby greatly reducing the administrative burden. The value of this exemption has been steadily increased over time from the first Rp 2 million in building value to Rp 8 million in the year 2000. As of January, 2001, each municipality is able to set the exemption level up to a maximum of Rp 12 million.

For assessment purposes, information on a property is initially provided by a taxpayer self-declaration. The Directorate of Land and Buildings values all non-exempt properties every three years, although some valuations may be done annually. Mass appraisal techniques are used for the rural and urban sectors employing land value books (with 50 land classes) and a 20-class system for buildings. The estate (plantation), forestry, and mining sectors are valued using formulas that essentially use gross product as a proxy to determine capital value. The central government has responsibility for revenue collections in the estate, forestry, and mining sectors, while the regional governments administer rural and urban monies. Most taxpayer payments are made using the banking system. Presently, under decentralization the regional distribution of (non-earmarked) collections is: 10% to the central government and 9% for administrative expenses; 20% of the remaining 81% is distributed to the provinces and 80% to the municipalities. Thus, the effective regional distribution of total collections becomes 16.2% to the provinces and 64.8% to the municipalities. But even the central government's 10% share is actually distributed to the municipalities using a formula which includes population, collection ratios, and land area.

Beginning in the late 1980s, property tax reform became oriented toward a collection-led strategy by giving priority to billings, payments, and enforcement. The number of regional field offices was doubled and a payment point collection system (SISTEP) was initiated. Under SISTEP the collection function was simplified while simultaneously reducing administration and compliance costs. Specific banks are designated as payment points, and pre-printed matching bills and receipts to establish taxpayer accountability are distributed. Unpaid receipts are used to computer-generate delinquency lists for systematic enforcement. Delinquent taxes are subject to a 2% per month penalty for up to 24 months. Thereafter, warning and auction letters are sent, but the state's legal right to carry out property seizures and auctions and to impose penal sanctions in fraud cases is rarely invoked.

Responsibility for property tax administration lies with the Ministry of Finance's Directorate of Land and Building Tax (Direktorat PBB). Policy is established in Jakarta at the central government level and is implemented by field offices in the regions. The field offices work closely with local government officials to carry out both the valuation and tax notice distribution functions. Tax bills are hand-delivered by local government personnel down to the village and "rukun warga" (groups of 150 families) levels.

As of July 1998, traditional property tax revenues have been supplemented by a property transfer tax (officially labeled a Tax on Land and Building Acquisition Rights--BPHTB). Imposed under Law 21/1997 and amended by Law 20/2000, the market value of the transaction is taxed at 5% to the buyer with a tax-free allowance up to a maximum of Rp 60 million; this maximum amount is now decentralized, and can be lower. The seller is also taxed at 5% less the applicable allowance, but this portion is centralized under the income tax.

Table 3 reveals that, in terms of revenue collections, the tax code and administrative reforms carried out after 1985 produced positive revenue results through fiscal year 1996/97, as property tax revenues steadily increased in both real (constant price) and relative (as a proportion of GDP and public revenues) terms after 1989. A good part of this rise was due to revaluations and use of new land and building unit value tables. Not surprisingly, the 1997 financial and economic crisis, which greatly impacted all Indonesian fiscal revenues, also adversely affected property tax collections. However, by the year 2000 property tax revenues as a percentage of other public revenue indicators (central government domestic revenue, tax revenue, and non-oil tax revenue) had climbed back close to pre-crisis levels.

The Table 3 property tax revenue figures do not include the additional revenues accruing to property taxation as a consequence of the 1998-implemented property transfer tax (BPHTB). This exclusion was intentional in order to generate a consistent (and therefore comparable) historical data series covering the 1980-2000 interval. Inclusion of these transfer tax revenues raises all the 1998/99 - 2000 figures, and places the 2000 proportions above past levels. For example, for fiscal year 2000 (April-December) total property tax-related collections (i.e., PBB plus BPHTB) amounted to 2.93%, 3.33%, and 4.91% respectively of domestic revenue, tax revenue, and non-oil tax revenue.

Based on the data found in Table 3, it can readily be concluded that the property tax is alive and well. And this might be the case. But the sectoral distribution of property tax collections presented in Table 4 reveals a tax base highly skewed toward the mining and urban sectors. During the entire period since 1990 the mining sector generated half of property tax revenue, while the urban sector slowly raised its proportional contribution to the total to its present day one-third. Historical sectoral distributions reveal that in the early 1970s the rural sector accounted for two-thirds of property tax collections, with the urban sector generating less than 15%. Today, Indonesia's property tax is not a broad-based levy. Rather, it is a tax paid by a limited number of mining properties and upper income urban-based property owners. Of the 73 million taxpayers on PBB rolls, a mere 1400 come from the mining sector, which includes oil-producing properties. Moreover, urban sector taxation is spatially concentrated in a few large cities. Kelly (1993a) found that most regional governments collected very low average amounts per property, resulting in "low effective tax rates, low average property valuation per property,

and poor collection performance”. In addition to spatial concentration, revenues were heavily concentrated in highest value properties. Whether or not these observations remain valid in 2001 is a matter than can be answered by analysis of additional data in the Directorate of Land and Building Tax.

From an equity viewpoint, a property tax revenue system dominated by mining and high-income urban properties is not necessarily negative. It not only means that the effective rate of property taxation for large majority of property owners is zero, but that the tax is a progressive levy. On the other hand, the limited number of actual taxpayers is due to some combination of the relatively high valuation exemption, under-valuations, poor collection performance, weak enforcement, deficient identification and registration of new properties, and a poorly maintained and/or utilized management information system (SISMIOP).

Probably more important is that one of the cornerstones of a good property tax---a broad tax base, uniform (effective) tax rates, and maximum coverage---hardly exists. Since so few property owners in most municipalities actually pay property taxes, there is little awareness of the tax itself, its *raison d'etre*, and the local use of funds generated by the levy. This is not too surprising, since in 1999/2000 (nationwide) property taxes comprised some 5% and 10% respectively of total provincial and municipal government revenues. However, there is a great deal of variation around this average by municipality. From another perspective, for all municipalities property taxes amounted to two-thirds of own-source taxes (taking as the denominator both municipal taxes per se and property taxes). Put another way, municipal property tax revenues almost doubled collections from all other municipal taxes.

C. A Radical Proposal for Indonesian Property Tax Reform

Any efficient and equitable property tax system depends on the existence of an up-to-date fiscal cadastre, adequate financial resources, computerized administrative systems, manuals, and skilled personnel in charge of all phases (e.g., valuation, collection, etc.). While the Ministry of Finance’s Directorate of Land and Building Tax appears to have all these pieces in place (in addition to many years of accumulated experience in dealing with the PBB), the revenue productivity of the property tax is dependent on a limited effective tax base. Taking a cue from this, the following proposal is put forward merely as a suggestion of what might be done to inject greater dynamism into a tax that could serve Indonesia’s local governments in good stead during this era of fiscal decentralization. It is naïve to assume that such a radical idea might be adopted on a wholesale basis. Nevertheless, it does give food for thought, and some of its underlying concepts might be used to jump start what could become an increasingly important local government revenue source. The wheel is not being reinvented, as what follows borrows liberally from Strasma (1965).

Under this market-based self-assessment approach, it is the property owner who, at first instance, is in charge of identifying, describing, and valuing the property. This information is then transferred to the government agency responsible for administering and collecting the tax, probably at a given proportion of the self-declared value. At first glance there appears to be a strong incentive to undervalue the property. Therefore, it is essential to establish some mechanism to avoid under-valuation.

One solution is to establish the required mechanism by setting up a public entity to buy and sell properties. But this would involve an expansion of the public sector and would increase the possibility of corruption. A better approach is to use a market mechanism involving the following steps:

1. Carry out an intense informational campaign explaining the new system. Design a self-assessment form to be completed by the property owner, and send it to the owner using information (e.g., names and addresses) presently in the fiscal cadastre. There would be one form per property for those who own more than one. The form should include information covering the name(s) and address of the owner(s), the area (in square meters) occupied by the land, boundaries, type of structure, year of purchase, district office where the property is registered, and the self-assessed property value. Information should be received by the tax office within (say) 90 days. Penalties would be levied for late-filers, and non-filers would be subject to even harsher fines.
2. All the information contained in the self-assessment would be made publicly available in all district tax offices and municipal government offices. Summary information might also be published in newspapers.
3. Perusing this information, any person would be able to make a written offer to buy the property at a price at least 25% above the self-assessment. The owner would be notified of the offer in writing. To minimize the administrative burden, offers would be limited to specific time periods; e.g., during the first week of each calendar quarter.
4. Upon receiving the offer to buy, the property owner would have three options: accept, reject but accept the higher value for tax purposes, or reject but request an assessment to be done by the local tax office or by a private company contracted to do such assessments.
5. To guarantee that the offers are made in good faith, each one would have to be accompanied by some sort of guarantee or bond equal to, say, 20% of the offer value. If the transaction is not completed within 90 days, the guarantee is forfeited, with 80% going to the owner and 20% to the government. Each offer would be made using sealed envelopes and pre-printed forms to be opened in public on specified dates. If several offers were made for the same property, only the highest would be accepted. To preserve anonymity, each a numbered receipt would be attached to each offer.

This is not a panacea. For example, it does not obviate the necessity to continuously update the fiscal cadastre. But if well implemented, it might reduce corruption. Whether or not such a daring and innovative scheme is politically feasible is a legitimate question. If attempted, clearly the only way to do it would be on a pilot basis in one region or one municipality.

V. Other Local Government Own-Taxes and/or Own-Revenue Sources

This section will focus on those types of taxes and fees---apart from property taxation previously discussed--- most generally levied by regional cum local governments around the world. It will not cover those relatively limited cases where local governments impose broad-based taxes such as those on income and sales. Regional governments employ a large variety of taxes and quasi-tax charges, mostly in the form of excise (or excise-like) levies on the consumption of specific goods and services, business license or gross receipts taxes, and motor vehicles and fuel. A good

idea of the wide range of local taxes can be gathered from Table 2-11 in Bahl and Linn (1992, pp. 36-39).

A. Motor Vehicle Taxes

Motor vehicle taxation makes good common sense. The revenues derived from these levies, even if not specifically earmarked, can be used to finance public expenditures on roads and other vehicle-related public goods and services (e.g., pollution control, congestion). Given the steady increase in the number of motor vehicles in all countries, these taxes, if well and equitably administered, can provide a reliable public revenue stream while simultaneously aiding to close the gap between the private and social cost of vehicle ownership and operation.

Local governments worldwide impose a large variety of license and vehicle transfer taxes and registration fees. License taxes vary according to the vehicle's value, type, make, weight, age, number of axles, and/or cylinder size. Many local governments prepare quite elaborate tax tables crossing some variety of variables relating to type, cylinder size, age, and value. Needless to say, the use of such tables generates administrative complexities and can easily lead to corruption. A good case can be made for simplification in terms of using a value-based ad valorem levy at either a flat or progressive rate.

B. Motor Vehicle Fuel Taxes

Taxation of motor vehicle fuels is justifiable for both resource allocation reasons and as a benefit levy related to the public provision of roads. In fact, the failure to impose these user taxes would artificially cheapen transport costs and distort resource allocation decisions. An element of equity and ability-to-pay also enters into the equation, as individual vehicle owners are likely to do more driving the higher their income level. Moreover, automobile ownership is generally a direct function of income levels. Rates are almost universally specific, but often are not sufficiently adjusted upward in response to inflation, thereby causing a loss in the real values of the revenues generated and distorting resource allocation.

Regional (and national) governments around the world impose excise-type levies on fuel consumption. This tax is usually levied at the provincial or state level (as opposed to the municipal level) due to the spillover effects that would occur if imposed within the limited geographical boundaries of one municipality. For example, since 1956 the United States central (federal) government's excise tax on gasoline (and other goods such as tires and trucks) has been earmarked for a special trust fund to finance the interstate highway system. Additionally, all 50 states also impose specific rate excises on motor vehicle fuels.

C. Business Taxation

Local taxes on businesses (apart from income and broad-based expenditure levies such as VAT and retail sales) come in a variety of forms. They may be levied on business gross receipts or on assets (net, gross, fixed); site value; presumptive income (see section V.G below); and type of business. In many of these latter instances in developing countries, taxation boils down to

levying an annual fee for obtaining a business license. Tax rates or fees range from proportional and flat to progressive.

Graduated business license fees can be a viable substitute for a business income tax on small and medium businesses that otherwise are not captured in the central government's corporate or personal income tax nets. Moreover, they can be feasibly administered at the local level, especially given the knowledge that local officials have regarding local conditions.

From the perspective of each business the tax represents a cost increase to be passed on to consumers via higher prices. If it impacts expenditure in general, it would tend to be regressive, as in the case of a gross receipts tax. However, a gross receipts tax levied at a low 1% rate might turn out to be a good revenue-generator without greatly affecting the price level and consumer welfare.

What many of these taxes have in common is a relatively high administrative cost, oft times exceeding 15% to 20% of collected revenues. And delinquency rates and evasion are also substantial. All these factors can be reduced using information exchanges between the central government's tax offices (which has data on business income, inputs, and sales) and local tax offices in charge of administering local taxes. While this is a common sense solution, it is far more easily said than done, especially if the local government is in the hands of a political party different from the central government.

One type of "informal" business taxation that continues to be practiced at the local level in Indonesia is that of levying terminal taxes on goods in transit between different local jurisdictions. In India and Pakistan such taxation, known as the octroi, is legal and represents an important local government revenue source. In Indonesia, however, it was the intent of Law 18/1997 and subsequent amendments (Law 34/2000) to do away with this type of inter-regional trade distorting taxes, especially on agricultural goods. However, Ray and Goodpaster (2001) contend that both laws are vague regarding definitive prohibitions on terminal taxes, and that a national trade law expressly prohibiting local governments from levying trade-inhibiting taxes and non-tariff barriers is needed. Otherwise, local governments, seeking out additional revenue sources, will be prone to use this tax handle. Apparently, some local jurisdictions continue to employ it.

That definitive legal elimination of the possibility of levying terminal taxes would benefit Indonesia's national and regional economies is without doubt. This type of taxation increases input and consumer prices and transport costs, and, for agricultural products, reduces farm gate prices and rural incomes. The highly positive impact of implementing Law 18/1997 and deregulating the agricultural sector is well analyzed and documented in Montgomery, et.al. (2000), where it was concluded that farmers and small-scale producers experienced an increase in their share received of final wholesale prices.

D. VAT "Sharing"

Regional governments may receive a share of the national VAT collected by the central government. This is the case in Germany, where a proportion of the national total is shared on a

formula basis with the regional governments (states). A few countries (Brazil and Canada) apply the VAT at both the central and state/provincial levels. Another possibility is to permit regions to piggyback on the national VAT rate, with the additional revenues transferred to the region using a tax-sharing formula applicable only to the income generated by the surcharge. The formula might contain equalization aspects or might allocate revenue according to estimates of taxable consumption by region. This retains the administrative and compliance advantages of a centralized VAT without reducing central government revenue (assuming no negative impact on taxpayer compliance due to the rate hike). One of the complications that arises in this case is the “headquarters problem;” i.e., the main administrative offices of a company are located in a single province or municipality, whereas production and sales are dispersed across many localities. In essence such an arrangement boils down to another form of intergovernmental transfer.

There do exist other variations, of which the Canadian case is a good example of implementing a VAT at both the national and regional levels on a destination basis (see Bird, 1999). Both levels of VAT use essentially the same tax base, but tax rates are independently determined. Moreover, there exists very close cooperation between tax administrations (or both taxes are administered centrally). Critical to success is a solid tax administration and a unified audit. In those many country cases where tax administration is poor, another approach is to implement what is labeled a compensating VAT (CVAT). Under this proposal (not yet implemented in any country) the regions zero-rate both international and inter-regional sales while applying a destination regional VAT (Bird, p.30). While intriguing, Indonesia is clearly not yet prepared to consider these types of dual VAT systems.

E. Entertainment, Hotel, and Restaurant Taxes

Taxes and fees on many forms of entertainment (e.g., theaters, hotels, restaurants, lotteries, gambling, diverse public events) are used around the world, and are especially prevalent at the municipal government level. Since consumption of the taxed good or service is not considered a necessity, this form of taxation may be progressive in structure, rational, and desirable. In general, although these levies do not generate large amounts of local government revenue, they can be fairly lucrative at the margin. However, it is best not to evaluate their revenue performance by using gross revenue figures, since their administrative costs can often represent a relatively high proportion of the total; i.e., it is net revenue generation that is the relevant figure.

F. User Charges

In practice, it is often difficult to distinguish between excise-like taxes and user charges. The conceptual distinction is that the former is levied without directly linking its payment to the receipt of a specific good or service, whereas a fee is charged in payment for receiving a good or service just as is done in a private sector transaction. By linking payment to receipt of service, user charges represent a practical application of the benefit principle in public finance; i.e., the benefit received from the consumption of the good or service corresponds to payment.

All levels of government worldwide levy user charges on an extensive variety of goods and services. The most common examples are charges for public utilities (water, electricity, telephone, sewerage), public housing, transport, and waste disposal, recreation, highway and

bridge tolls, natural resource depletion, health and education services, permits, and licenses. Prices are charged above, equal to, or below cost. In the latter case, taxes must be levied to cover the difference. There are valid arguments in favor of and against the extensive use of user charges. In favor is the argument that if the price of a service is established at its marginal cost [see Bahl and Linn (1992, Chapter 9) for a discussion of this contentious theme], resource allocation efficiency is attained. Against is the theme of equity or unfairness. If the good or service provided is considered a necessity (as opposed to a luxury), it will be consumed only by those with the ability-to-pay.

These opposing arguments offer Indonesia's local governments rational criteria on which to base their decision to impose a tax or a new user charge: if equity considerations imply that the beneficiaries of a public sector-provided good or service should pay for it, user charges are appropriate; if income distribution and (in)ability-to-pay issues are paramount, taxation should be used. Another user charge issue relates to revenue generation. With inflation, care must be taken to periodically adjust the price of the good or service. Additionally, attention must be paid to under-pricing. While it is very difficult to estimate the "true" marginal cost of a publicly provided service, efforts must be made to ensure that the price paid by the consumer is a good reflection of the most directly identifiable costs.

In Indonesia both provincial and local governments levy a large array of fees (*retribusi*) on public services (e.g., health and garbage disposal services), business services (e.g., lease of assets owned or controlled by a local government, sale of seeds), and specific licenses (e.g., building permits). As may be noted from Table 2, user charges represent a rather significant own-revenue source for Indonesia's municipalities. Under decentralization there will be pressures upon local governments to apply a wider range of user charges, especially on business and commerce. Care must be taken to apply new charges in a rational and coherent fashion. Otherwise, there is a great risk that trade and regional economic development will be impeded in the effort to increase public revenues.

G. Presumptive Taxation

With large informal sectors and independent professionals who escape the tax net, presumptive taxation represents an avenue that should be seriously explored at the provincial and/or municipal levels. Presumptive taxation has been defined in many ways. In this context it is taken to refer to the use of simple, direct, and cost effective methods of incorporating into the tax net self-employed individuals and small businesses that form the so-called hard-to-tax sector. With the exception of professionals, the majority of these units fall within or on the margins of the informal sector. They either do not report any income at all to the tax authorities or underreport incomes. Presumptive taxation represents a proxy for an income tax, but it is based on average as opposed to actual income.

Internationally, the most widely employed methods of presumptive taxation are standard assessments, estimated assessments, and minimum taxes. Under standard assessment schemes, a simple lump-sum tax is levied on the basis of the type of work or service rendered by the individual or small business; the levy should bear some relation to the presumed average income level generated by said activity. Estimated assessments involve a higher level of sophistication,

whereby the lump-sum tax liability is estimated using indicators of business activity (and hence income); e.g., number of employees, number of square meters occupied by the business, amount and type of machinery. The third category, that of presumptive lump-sum minimum taxation, is based on gross receipts or assets. Although presumptive taxation is not normally intended to be a high revenue generator, its adoption at the provincial/municipal levels in Indonesia would serve two purposes: it will accustom persons and small businesses to paying some sort of direct tax, thereby creating the impression of horizontal equity, perhaps facilitating the transfer of the mini-taxpayer from the informal to the formal sector, and broadening the tax base. In some municipalities, it might even provide relatively significant amount of revenue. However, care must be taken to adjust the lump-sum tax payments upward to compensate for inflation. Over-adjustment must be avoided to not drive small enterprises deeper into the informal sector. Since the presumptive tax base is average income as opposed to actual income, this may generate positive incentive effects since, for above average incomes, the marginal rate of taxation is zero. The graduated business license fees mentioned in section V.C are a form of presumptive taxation.

Over the longer-term consideration should be given to moving the presumptive tax base from standard to more sophisticated estimated assessments. What is suggested here is not a sudden move to replicate France's forfait or Israel's tachsiv systems. These systems have taken decades to put in place, and are continually adjusted. Rather, analysis should begin on placing small taxpayers who do not normally keep records or file returns in categories that are a function of the estimated amount of turnover (gross receipts). Indicators such as the number and skills of employees, inventory levels, passenger capacity of vehicles used in the business, and service capacity (number of chairs and tables in a restaurant) can be adopted. Many country models abound. Two recommended ones are those of Bolivia and South Korea.

VI. Conclusions

Addressing taxation at the municipal government level, it is evident that Indonesia's local governments already have in place and make use of many of the tax bases employed internationally: property and property transfers, motor vehicles and motor fuels (albeit on a shared basis), and entertainment. What is (perhaps) missing is some generalized form of local business taxation. This is much more easily stated than designed and efficiently implemented, for business taxes are often accompanied by relatively high administrative costs and may generate substantial resource allocation distortions. As previously noted in section V.C., regional and municipal governments around the world use a large variety of local business tax (and non-tax) levies. They are tempting to use, for they often can be revenue-elastic levies whose burden is hidden in higher product prices. Perhaps most viable for Indonesia at this juncture is some form of supplemental VAT-sharing (see section V.D.). An alternative Business Value Tax (BVT) levied on income on a origin basis assessed by the subtraction method is intellectually appealing, but certainly not administratively viable in Indonesia in the near future; see Bird (1999, pp. 31-35).

What should be avoided is a spate of new "business" taxes and fees that the vagueness of the wording of Law 34/2000 may permit. As Ray and Goodpaster (2001, p. 10) point out, by promulgating this law "the central government has apparently authorized local governments to

impose new taxes on economic activities (including trade depending upon local government interpretation of Law 34/2000), but hopes, in vague and unenforceable ways, that such taxes will not harm the national economy. Given local self-interest and the pressure to raise revenues, it is much more likely that local governments will create many trade hindering and burdening taxes.”

It is to avoid such a course of action that property taxation should be strengthened and legally converted into a local government tax. This has been one of the major thrusts of this paper. Mahi, et al (2000), in laying out a three stage reform agenda for local revenue strengthening, concur.

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Table 1

Indonesia: Local Government Revenues in Current and Constant Prices, 1990 - 2000

Fiscal Year	Total Revenues Current Prices (Rp. Billions)			Total Revenues 1995 Prices (Rp. Billions)		Total Revenues as % of:	
	Provinces	Municipalities	Total	GDP Deflator	CPI	GDP	Central Government Domestic Revenues
1990/91	3,548	2,568	6,116	9,337	9,336	2.9	14.5
1991/92	4,350	3,014	7,364	10,143	10,314	2.9	17.3
1992/93	7,280	6,610	13,890	18,039	18,086	4.9	28.4
1993/94	8,382	8,404	16,786	19,889	19,936	5.1	31.2
1994/95	9,709	9,623	19,332	21,244	21,151	5.1	30.0
1995/96	11,313	11,204	22,517	22,517	22,517	5.0	31.0
1996/97	12,542	13,049	25,591	23,544	23,696	4.8	29.2
1997/98	12,766	15,940	28,706	23,471	24,918	4.6	25.6
1998/99	9,011	20,906	29,917	10,627	16,464	3.2	19.2
1999/2000	13,219	27,999	41,218	16,613	18,830	3.8	21.9

Sources: Current revenues: LPEM-FE UI Database
 GDP deflator, CPI, and GDP from IMF, IFS Yearbook 2000 and IMF, IFS (March, 2001)
 Central Government Domestic Revenues from IMF,
Indonesia: Statistical Appendix (October, 2000)
 Author calculations

Table 2
Indonesia: Sources of Local Government Revenues, 1996 - 2000
(Rp. Billions)

Revenue Source	1996/97		1997/98		1998/99		1999/2000	
	Absolute	%	Absolute	%	Absolute	%	Absolute	%
I Provinces, Total	12,542	100.0	12,766	100.0	9,011	100.0	13,219	100.0
A Own-Source	4,319	34.4	4,648	36.4	3,101	34.4	4,339	32.8
1 Taxes	3,390	27.0	3,718	29.1	2,533	28.1	3,632	27.5
2 User Charges	661	5.3	687	5.4	257	2.9	268	2.0
3 Profits, Local Govt. Enterprises	79	0.6	90	0.7	65	0.7	102	0.8
4 Local Offices	32	0.3	-	-	-	-	-	-
5 Others	157	1.3	153	1.2	246	2.7	337	2.5
B Tax and Revenue Sharing	1,189	9.5	1,256	9.8	1,883	20.9	2,175	16.5
C Grants and Subsidies	5,926	47.2	6,203	48.6	3,613	40.1	5,143	38.9
D Others	1,108	8.8	659	5.2	414	4.6	1,562	11.8
II Municipalities, Total	13,049	100.0	15,940	100.0	20,906	100.0	27,999	100.0
A Own-Source	1,827	14.0	2,077	13.0	2,249	10.8	2,765	9.9
1 Taxes	636	4.9	776	4.9	955	4.6	1,417	5.1
2 User Charges	859	6.6	1,085	6.8	940	4.5	971	3.5
3 Profits, Local Govt. Enterprises	60	0.5	52	0.3	60	0.3	76	0.3
4 Local Offices	118	0.9	-	-	-	-	-	-
5 Others	156	1.2	164	1.0	294	1.4	302	1.1
B Tax and Revenue Sharing	2,162	16.6	2,342	14.7	2,989	14.3	3,325	11.9
C Grants and Subsidies	8,528	65.4	10,890	68.3	14,861	71.1	20,744	74.1
D Others	532	4.1	631	4.0	807	3.9	1,165	4.2
III Provinces and Municipalities, Total	25,591	100.0	28,706	100.0	29,917	100.0	41,218	100.0
A Own-Source	6,146	24.0	6,725	23.4	5,350	17.9	7,104	17.2
B Tax and Revenue Sharing	3,351	13.1	3,598	12.5	4,872	16.3	5,500	13.3
C Grants and Subsidies	14,454	56.5	17,093	59.5	18,474	61.8	25,887	62.8
D Others	1,640	6.4	1,290	4.5	1,221	4.1	2,727	6.6

Source: LPEM-FEUI Database; author calculations

Table 3**Indonesia: Property Tax Revenue, 1980 - 2000**

Fiscal Year	Total Revenue (Rp. Billions)		Revenue as Percent of:			
	Current	1995	GDP	Central	Tax	Non Oil
	Prices	Prices ^b		Government Domestic Revenue	Revenue	Tax Revenue
1980/81 - 1984/85 ^a	119	379	0.18	0.84	0.95	3.11
1985/86 - 1989/90 ^a	340	687	0.25	1.42	1.89	3.89
1990/91	771	1,177	0.37	1.83	2.00	2.93
1991/92	941	1,296	0.38	2.21	2.43	3.31
1992/93	1,091	1,417	0.39	2.23	2.33	3.14
1993/94	1,486	1,761	0.45	2.76	3.02	4.05
1994/95	1,687	1,854	0.44	2.62	2.91	3.80
1995/96	1,909	1,909	0.42	2.63	2.95	3.92
1996/97	2,438	2,243	0.46	2.78	3.15	4.25
1997/98	2,643	2,161	0.42	2.35	2.60	3.73
1998/99	3,299	1,172	0.35	2.12	2.30	3.22
1999/2000	3,267	1,317	0.30	1.73	1.91	2.90
2000 ^c	3,562	NA	NA	2.33	2.65	3.90

^a Five year average

^b GDP implicit deflator

^c Nine months (April - December)

Sources: Directorate of Land and Building Tax; IMF, IFS (2000);
IMF, IFS (March 2000); M. Asher (1997); and author's calculations

Table 4
Indonesia: Property Tax Revenues By Sector, 1990 - 2000

A. Current Prices (Rp. Billions)

Fiscal Year	Rural	Urban	Estate	Forestry	Mining	Total
1990/91	116.3	169.6	47.0	59.2	378.9	771.0
1991/92	118.3	208.2	38.0	61.7	515.0	941.2
1992/93	124.4	250.3	49.4	77.3	589.7	1,091.1
1993/94	153.7	381.5	55.4	128.6	766.6	1,485.8
1994/95	171.9	479.3	62.8	165.8	807.1	1,686.9
1995/96	146.3	595.3	75.5	170.7	921.3	1,909.1
1996/97	227.4	768.2	87.2	206.7	1,148.1	2,437.6
1997/98	240.3	837.8	96.5	204.6	1,263.9	2,643.1
1998/99	252.9	957.2	186.6	280.6	1,621.6	3,298.9
1999/2000	266.9	1,040.2	201.2	174.8	1,584.3	3,267.4
2000	267.4	1,084.2	198.8	132.4	1,879.3	3,562.1

B. Percentage Contribution

Fiscal Year	Rural	Urban	Estate	Forestry	Mining	Total
1990/91	15.1	22.0	6.1	7.7	49.1	100.0
1991/92	12.6	22.1	4.0	6.6	54.7	100.0
1992/93	11.4	22.9	4.5	7.1	54.0	100.0
1993/94	10.3	25.7	3.7	8.7	51.6	100.0
1994/95	10.2	28.4	3.7	9.8	47.8	100.0
1995/96	7.7	31.2	4.0	8.9	48.3	100.0
1996/97	9.3	31.5	3.6	8.5	47.1	100.0
1997/98	9.1	31.7	3.7	7.7	47.8	100.0
1998/99	7.7	29.0	5.7	8.5	49.2	100.0
1999/2000	8.2	31.8	6.2	5.3	48.5	100.0
2000	7.5	30.4	5.6	3.7	52.8	100.0

C. 1995 Prices^a (Rp. Billions)

Fiscal Year	Rural	Urban	Estate	Forestry	Mining	Total
1990/91	177.6	258.9	71.8	90.4	578.5	1,177.2
1991/92	162.9	286.8	52.3	85.0	709.4	1,296.4
1992/93	161.6	325.1	64.2	100.4	765.8	1,417.1
1993/94	182.1	452.0	65.6	152.4	908.4	1,760.5
1994/95	188.9	526.7	69.0	182.2	886.9	1,853.7
1995/96	146.3	595.3	75.5	170.7	921.3	1,909.1
1996/97	209.2	706.7	80.2	190.2	1,056.2	2,242.5
1997/98	196.5	685.0	78.9	167.3	1,033.4	2,161.1
1998/99	89.8	340.0	66.3	99.7	576.1	1,171.9
1999/2000	107.6	419.3	81.1	70.5	638.6	1,317.1

^a GDP implicit deflator

Sources:

Directorate of Land and Building Tax; IMF, IFS(2000); IMF, IFS (March 2001);
author calculations